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**FISCAL IMPACT STATEMENT**

**LS 6141**

**BILL NUMBER:** HB 1459

**NOTE PREPARED:** Nov 23, 2012

**BILL AMENDED:**

**SUBJECT:** Income Tax Credit.

**FIRST AUTHOR:** Rep. Ziemke

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill provides a nonrefundable income tax credit for charitable contributions to school corporations. It allows a taxpayer other than a corporation to take an Adjusted Gross Income (AGI) Tax credit for charitable contributions in an amount equal to the lesser of: (1) 50% of the amount of the charitable contribution; or (2) \$100 for a single return or \$200 for a joint return.

It also permits a corporation to claim the credit in an amount equal to the lesser of: (1) 50% of the amount of the charitable contribution; or (2) 10% of its total Corporate Adjusted Gross Income (AGI) Tax liability up to \$1,000.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate this credit. In addition, the administrative impact on the DOR could include establishing requirements for a submission of proof of a taxpayer's charitable contributions with the AGI Tax return. The DOR's current level of resources should be sufficient to implement these administrative requirements.

**Explanation of State Revenues:** *Summary* -The tax credit would reduce tax liabilities of Indiana taxpayers who make charitable contributions to Indiana school corporations. The bill could potentially reduce state revenues by as much as \$17.2 M annually beginning in FY 2015. This estimate is based on historic total annual contributions to school corporations. The actual impact could potentially be lower due to the per taxpayer limits on creditable contributions and the actual distribution of contribution levels by taxpayer. The impact may increase in subsequent years if the tax credit results in additional contributions to school corporations.

Based on the Department of Education's (DOE) database for FY 2008 to FY 2011, public school corporations on an average received \$34.5 M annually in gifts and donations. Assuming that none of those contributions exceed taxpayer limits in the bill, 50% of such contributions for individual taxpayers and 10% of such contributions for corporations could be claimed as credits starting in tax year 2014. Contributions to school corporations for FY 2008 to FY 2011 are provided in the table below.

<b>Fiscal Year</b>	<b>Total Contributions</b>
FY 2008	\$31.7 M
FY 2009	\$36.0 M
FY 2010	\$37.9 M
FY 2011	\$32.4 M

The tax credit is nonrefundable and may not be carried forward or carried back. The credit is limited to: (1) 50% of charitable contributions to a school corporation by an individual taxpayer up to a maximum of \$100 for a single taxpayer or \$200 for taxpayers filing a joint return; or (2) 10% of charitable contributions to a school corporation by a corporate taxpayer up to a maximum of \$1,000. This tax credit is applicable to tax years beginning January 1, 2014. The impact will begin in FY 2015. Individual and Corporate AGI tax revenues are deposited in state General Fund.

**Background on College Contribution Tax Credit:** There is a similar tax credit in current statute that provides tax incentives for contributions to Indiana higher education institutions.

Under current law, individuals may claim a nonrefundable tax credit for charitable contributions to Indiana postsecondary educational institutions or to any corporation or foundation organized and operated solely for the benefit of a postsecondary educational institution. The credit is limited to 50% of charitable contributions up to a maximum of \$100 for a single taxpayer or \$200 for taxpayers filing a joint return.

Current law also permits a corporation to claim a credit for such contributions equal to 10% of its total Corporate AGI Tax liability up to \$1,000. According to 2010 individual income tax data, 87,398 taxpayers claimed \$8.6 M in credits for contributions to Indiana higher education institutions. Of this total, 10,718 out of 22,846 single filers took the full \$100 maximum credit and 21,839 out of 64,552 joint filers took the \$200 maximum credit. In tax year 2010, 130 corporate tax filers claimed \$71,166 in credits, with 50 of those taxpayers claiming the maximum \$1,000 credit.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** This bill may result in an indeterminable increase in charitable contributions to public school corporations.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** School corporations.

**Information Sources:** OFMA income tax database for 2010.

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